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SUBJECT: INTSUM 513 - MARCH 3, 1978

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LONDON FOR KINSOLVING
PARIS FOR NICHOLAS MURPHY
OTHER ADDRESSEES FOR CHIEFS OF MISSION

1. LEBANON. RECENT CHANGES IN THE POLITICAL RELATIONSHIP BETWEEN THE SYRIANS AND THE LEBANESE ARE HAVING SEVERE REPERCUSSIONS IN SOUTHERN LEBANON. TENSIONS ARE AS HIGH AS THEY HAVE BEEN IN SEVERAL MONTHS AS ALL OF THE ELEMENTS TAKE ADVANTAGE OF THE NEW SITUATION. GROUND CLASHES HAVE OCCURRED AND COULD GET WORSE, CREATING ONCE AGAIN THE POSSIBILITY OF DIRECT SYRIAN OR ISRAELI INTERVENTION.

2. THE RECENT SHIFT OF SYRIAN ATTITUDES IN FAVOR OF THE PALESTINIANS HAS FOR THE FIRST TIME LED TO CLOSE SYRIAN-PALESTINIAN COOPERATION IN SOUTHERN LEBANON. UNTIL NOW THE PALESTINIANS RESISTED ALL ENCROACHMENTS OF SYRIAN OR PRO-

SYRIAN SAIQA UNITS TO ENTER TYRE WERE BLOCKED BY OTHER PALESTINIANS. SINCE JANUARY, HOWEVER, SAIQA UNITS WITH SYRIAN OFFICERS HAVE ENTERED THAT CITY AND OTHER AREAS OF SOUTHERN LEBANON. WITH THE PALESTINIAN REJECTIONISTS NO LONGER HAVING TO ASSUME DEFENSIVE POSITIONS DESIGNED TO PREVENT A SYRIAN ENTRY INTO SOUTHERN LEBANON, THE PALESTINIAN FORCES HAVE BEEN FREED TO MOVE CLOSER TO THE BORDER.

3. THE CLOSE TIES BETWEEN DAMASCUS AND THE PALESTINIANS HAVE CREATED GREAT CONCERNS AMONG THE FUNDAMENTALLY CONSERVATIVE SHIITE MUSLIMS OF SOUTH LEBANON. UNTIL RE-
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CENTLY THEY BELIEVED THAT THE ONLY WAY PALESTINIAN ACTIVITY IN SOUTHERN LEBANON WOULD BE CONTROLLED WAS THROUGH SYRIAN ENFORCEMENT OF THE SHTAWRAH AGREEMENT. NOW THAT THE SYRIANS HAVE SHELVED THIS AGREEMENT IN ORDER TO CURRY FAVOR WITH THE PALESTINIANS, THE SHIITES ARE LOOKING ELSEWHERE FOR ASSISTANCE. THEY HAVE INCREASED EFFORTS TO GAIN OUTSIDE SUPPORT AND TO OBTAIN WEAPONS IN ORDER TO DEFEND THEMSELVES.

4. THE PALESTINIANS ARE WELL AWARE OF THE SHIITES' CONCERNS AND GROWING ANIMOSITY. AS A RESULT, THEY HAVE CLOSED MANY OF THEIR POLITICAL OFFICES IN THE SOUTH IN ORDER TO REMOVE THIS IRRITANT. NEVERTHELESS, WITH THE MOVEMENT OF MORE PALESTINIANS TO THE BORDER AREA, THEIR PRESENCE REMAINS A GREAT CONCERN FOR THE LOCAL LEBANESE POPULATION.

5. THESE CHANGING RELATIONSHIPS ARE BOTH A THREAT AND AN OPPORTUNITY FOR THE ISRAELIS. THE MOVEMENT OF SAIQA UNITS TO THE BORDER AND CLOSE COOPERATION BETWEEN THE SYRIANS AND THE PALESTINIANS IS THE FULFILLMENT OF MANY OF ISRAEL'S WORST FEARS. IT HAS NEVER TRUSTED THE

SYRIANS' PROTESTATIONS THAT ALL THEY WANTED WAS TO BRING ORDER TO LEBANON. FOR THE ISRAELIS, RECENT EVENTS IN BEIRUT AND THE SOUTH REAFFIRM THEIR BELIEF THAT THE SYRIANS NEVER INTENDED TO REESTABLISH A TRULY INDEPENDENT LEBANON, BUT WERE MERELY USING THE LEBANON CRISIS AS AN EXCUSE TO MOVE HOSTILE FORCES TO ISRAEL'S NORTHERN BORDER.

6. THE OPPORTUNITY ARISES FROM THE SHIITE SEARCH FOR OUTSIDE ASSISTANCE. THE ISRAELIS ARE APPARENTLY ENCOURAGING THE CHRISTIAN RIGHTIST FORCES TO ESTABLISH TIES WITH THE SHIITES--THROUGH PERSUASION AND FORCE. YESTERDAY, A SMALL FORCE OF CHRISTIAN APCS AND TANKS ENTERED THE SHIITE VILLAGE OF MARUN AR-RAS. (THE ISRAELIS STATE SECRET

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THAT THE MOVE WAS INITIATED BY THE CHRISTIANS AND THAT

THEY WERE NOT INVOLVED.) LATER, HOWEVER, REGULAR FATAH FORCES RETOOK THE VILLAGE AND CAPTURED THE CHRISTIAN EQUIPMENT. THE FAILURE OF THE CHRISTIANS TO HOLD THIS VILLAGE WILL DISCOURAGE OTHER SHIITES FROM JOINING WITH THEM FOR FEAR OF RETRIBUTION FROM THE PALESTINIANS. MOREOVER, FAILURE TO HOLD THE VILLAGE WILL REFLECT POORLY ON THE ISRAELIS. EVEN IF THE LOCAL POPULATION WAS NOT DIRECTLY INVOLVED, IT WILL VIEW THE LOSS OF THE VILLAGE AS A DEFEAT OF THE ISRAELIS BECAUSE THEY COULD NOT GIVE THEIR FRIENDS ADEQUATE SUPPORT.

7. WHILE THE LOSS OF MARUN AR-RAS IS A SERIOUS SETBACK, THE AREA OF MOST SIGNIFICANT ISRAELI ACTIVITY IS IN THE STRING OF SHIITE VILLAGES WHICH LINE THE ISRAELI BORDER BETWEEN BINT JBAYL AND MARJAYOUN. OVER THE LAST SEVERAL DAYS THE CHRISTIAN AND ISRAELIS HAVE INCREASED THEIR CONTACTS AND HAVE OPENED A ROAD LINK TO ISRAEL. WE BELIEVE THAT THE POTENTIAL FOR SERIOUS CLASHES IN THIS AREA IS QUITE HIGH AS THE PALESTINIANS WILL BE LIKELY TO RESIST THE CHRISTIAN/ISRAELI MOVES. AT THE SAME TIME, THE ISRAELIS MAY BECOME MORE OPENLY INVOLVED IN ORDER TO PREVENT THE GROWTH OF PALESTINIAN/SYRIAN FORCES ALONG THEIR BORDER, AND TO REASSURE POTENTIAL SHIITE ALLIES THAT THE ISRAELIS WILL PROTECT THEM FROM THE PALESTINIANS AND THE SYRIANS. (SECRET)

8. ISRAEL. THE GOVERNMENT FACES RISING LABOR UNREST THAT COULD PLACE ADDITIONAL STRAINS ON THE RULING COALITION. PRIME MINISTER BEGIN PROBABLY WILL SOON BE FORCED TO DEVOTE MORE ATTENTION TO DOMESTIC PROBLEMS IN ORDER TO AVOID A FURTHER EROSION IN THE UNITY AND PRESTIGE OF HIS GOVERNMENT. SECRET

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MENT.

9. SINCE ASSUMING OFFICE IN JUNE, THE BEGIN GOVERNMENT HAS ENJOYED RELATIVE CALM AT HOME, THANKS LARGELY TO THE DISARRAY WITHIN THE OPPOSITION LABOR PARTY AND THE PUBLIC'S PREOCCUPATION WITH PEACE NEGOTIATIONS. DOMESTIC TRANQUILITY, HOWEVER, IS NEAR AN END WITH THE INCREASING SIGNS OF LABOR UNREST.

10. A MERCHANT SEAMEN'S STRIKE IS NOW IN ITS SIXTH WEEK, AND THIS WEEK BUS DRIVERS AND AIRPORT MAINTENANCE WORKERS STAGED WORK STOPPAGES. OTHER KEY PUBLIC SERVICE AND PROFESSIONAL GROUPS ARE THREATENING TO TAKE SIMILAR STRIKE ACTION WHEN NEW CONTRACT TALKS OPEN IN APRIL. ANGERED BY RECENT PRICE INCREASES, THEY ARE DEMANDING HUGE PAY RAISES TO OFFSET INFLATION THAT IS EXPECTED TO EXCEED 40 PERCENT THIS YEAR.

11. LEADERS OF THE HISTADRUT LABOR FEDERATION, ALTHOUGH NOMINALLY ALLIED WITH THE OPPOSITION LABOR PARTY, HOPE TO AVERT A CONFRONTATION WITH THE GOVERNMENT. THEY FEAR THAT A TEST OF STRENGTH WOULD PROVOKE LEGISLATION AIMED AT CURTAILING THE HISTADRUT'S POWER AND WOULD EXPOSE WEAKNESSES IN THEIR ABILITY TO CONTROL THE INCREASINGLY INDEPENDENT MEMBER UNIONS. AS A RESULT, THE HISTADRUT EXECUTIVE HAS PROPOSED A RELATIVELY MODERATE PACKAGE FOR WAGE INCREASES ON AN ORDER OF 10 TO 15 PERCENT IN AN EFFORT TO BRIDGE THE GAP BETWEEN UNION MILITANTS AND THE GOVERNMENT.

12. FINANCE MINISTER EHRLICH, THE HEAD OF THE LIBERAL FACTION OF LIKUD, SEEMS BENT ON REJECTING LARGE WAGE INCREASES THAT WOULD UNDERCUT THE ECONOMIC REFORM PROGRAM HE LAUNCHED LAST FALL. HE HAS SHOWN LITTLE INTEREST SO FAR IN A COMPROMISE ON THIS POINT AND HAS EVEN LET IT BE KNOWN PRIVATELY THAT THE GOVERNMENT IS PREPARED FOR A PROTRACTED STRUGGLE WITH THE UNIONS.

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13. IT IS QUESTIONABLE, HOWEVER, THAT THE GOVERNMENT HAS THE POLITICAL WILL TO ADHERE TO A RIGID LINE IN THE FACE OF THREATS OF SERIOUS DISLOCATIONS IN THE ECONOMY. IT HAS ALREADY WEAKENED ITS POSITION BY GRANTING LARGE PAY INCREASES TO SENIOR GOVERNMENT OFFICIALS, INCLUDING CABINET MINISTERS AND KNESSET MEMBERS. BEGIN, MOREOVER,

IS LIKELY TO COME UNDER INCREASING PRESSURE FROM MEMBERS OF HIS HERUT FACTION OF LIKUD TO ACCOMMODATE THE INTERESTS OF THE FACTION'S LARGELY WORKING-CLASS CONSTITUENTS.

14. HERUT TRADE UNION LEADERS AND MEMBERS OF PARLIAMENT HAVE SHARPLY CRITICIZED EHRLICH'S ECONOMIC POLICIES AND HAVE EVEN CRITICIZED BEGIN FOR NEGLECTING THEIR CONCERNS. BEGIN THUS FACES THE DILEMMA OF RECONCILING THE WIDELY DIVERGENT INTERESTS OF THE LIBERAL AND HERUT FACTIONS WITHOUT UNDERMINING THE CREDIBILITY OF THE GOVERNMENT'S ECONOMIC POLICIES.

15. THE LABOR PARTY, WHICH IS JUST BEGINNING TO SHOW SIGNS OF REVIVAL, SEEMS TO SENSE THE GOVERNMENT'S VULNERABILITY ON SOCIAL AND ECONOMIC ISSUES. SHOULD THE CABINET MISMANAGE NEGOTIATIONS WITH THE LABOR UNIONS. LABOR PARTY LEADERS WILL ALMOST CERTAINLY TRY TO CAPITALIZE ON POPULAR DISSATISFACTION TO PUT THE BEGIN GOVERNMENT ON THE DEFENSIVE. (CONFIDENTIAL) CHRISTOPHER

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